

Message Text

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44

ACTION NEA-13

INFO OCT-01 ISO-00 OMB-01 TRSE-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 SAM-01 COME-00 EB-11 LAB-06

SIL-01 DRC-01 OPR-02 /114 W
----- 040368

R 150747Z FEB 74

FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 1522

C O N F I D E N T I A L TEL AVIV 0899

E.O. 11652: GDS

TAGS: ELAB IS

SUBJ: HISTADRUT AND GOVERNMENT AGREE ON INCREASED
COST-OF-LIVING ALLOWANCE

REF: TEL AVIV 0498

1. HISTADUR ACTING GENERAL SECRETARY MESHEL AND FINMIN SAPIR
FEB 13 AGREED TO SIX PERCENT INCREASE IN COST-OF-LIVING ALLOWANCE
(COLA) RETROACTIVE TO FEB 1 TO COMPENSATE FOR INCREASED PRICES
AS RESULT CUTS IN TREASURY SUBSIDIES Z4 CERTAIN BASIC FOOD
ITEMS (REFTEL). FINMIN ALSO AGREED TO INCREASE FAMILY ALLOWANCE
PAYMENTS BY NATIONAL INSUREACE INSTITUTE.

2. WITH SIX PERCENT COLA AGREEMENT APPROVED BY FINMIN FOR
PUBLIC SECTOR EMPLOYEES IT IS VIRTUALLY CERTAIN THAT PRIVATE
EMPLOYERS WILL FALL IN LINE, ALTHOUGH THEY MAY ATTEMPT TO LINK
COLA AGREEMENT TO EXTENSION OF CURRENTMAG
CONTRACTS FOR
ANOTHER YEAR.

3. AS SOON AS HISTADRUT CONCLUDES NATIONAL AGREEMENT WITH
PRIVATE EMPLOYERS ON COLA INCREASE, EMBASSY WILL ADVISE
DEPT OF COST OF EMBASSY AND OTHER ELEMENTS OF MISSION.
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4. COMMENT: THOURJ FINMIN HAD EARLIER OFFERED FOUR PERCENT COLA INCREASE, WITH HISTADRUT DEMANDING SEVEN PERCENT, COMPROMISE REFUSED CONFRONTATION WITH HISTADRUT. HISTADRUT OVER PAST FEW WEEKS HAD BEEN UNDER HEAVY PRESSURE FROM RANK-AND-FILE TO SECURE COMPENSATION TO OFFSET INCREASED PRICES RESULTING FROM CUTS IN SUBSIDIES. BLACK PANTHERS HAD ORGANIZED SEVERAL PUBLIC PROTEST RALLIES, WHILE NUMBER OF TRADE UNION AND POLITICAL LEADERS WERE URGING PROTEST STRIKES TO SUPPORT DEMAND FOR RESTORING SUBRIWO

IMMEDIATE COLA INCREASES. SHARP PUBLIC, POLITICAL AND TRADE UNION PROTEST OVER INCREASED PRICES PORTEND DIFFICULTY OF GOVT IN REDUCING NONDEFENSE EXPENDITURES OR MODERATING PRICE-WAGE SPIRAL. HIGHER FAMILY ALLOWANCE AND INCREASED COLA PAYMENT WILL LARGELY OFFSET IMMEDIATE SAVINGS TO TREASURY IN REDUCED SUBSIDIES. HOWEVER, CUTTING SUBSIDIES SHOULD MODERATE MANY ECONOMIC DISTORTIONS WHICH HAD DEVELOPED OVER YEAR AS RESULT OF MAINTAINING RETAIL FOOD PRICES FOR ENTIRE POPULATION AT PRICES FAR BELOW ACTUAL COSTS. KEATING

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